

Message Text

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ACTION EB-07

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SAM-01 OES-05 SP-02 SS-15 STR-04 TRSE-00 FRB-01 TAR-01

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UNCLAS OTTAWA 1713

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TAGS ENRG CA US

SUBJ ENERGY: OIL EXPORT CHARGE DECREASE

REF OTTAWA 1681

1. THE FOLLOWING EXCHANGE IN COMMONS ON MAY 6 BETWEEN MP BILLIES (P.C.) AND ENERGY MINISTER MACDONALD PROVIDES THE ECONOMIC/POLITICAL REASONS FOR THE JUNE 1 DECREASE IN THE OIL EXPORT TAX.

2. BILLIES: "HAS THE DECISION OF THE NATIONAL ENERGY BOARD TO REDUCE THE EXPORT TAX ON CANADIAN CRUDE BY 80 CENTS ANY IMPLICATIONS FOR THE GOVERNMENT'S POLICY WITH RESPECT TO THE EXPORT OF CRUDE OIL AT THE RATE OF 680,000 BARRELS A DAY IN MID-SUMMER? IN OTHER WORDS, WAS THE REDUCTION MADE BECAUSE OF THE DECLINE IN MARKETS THERE OR HAS THERE BEEN SOME FUNDAMENTAL CHANGE IN OUR DECISION REGARDING THE AMOUNT OF OIL WE WANT TO EXPORT?"

3. MACDONALD: "THE TARGET WE SET FOR 1975 WAS 800,000

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BARRELS A DAY. IN FACT, THE LEVEL HAS BEEN MUCH LOWER,

AROUND 650,000, AND INDEED IN THE LAST SEVERAL MONTHS IT HAS BEEN IN THE NEIGHBOURHOOD OF 500,000 BARRELS A DAY. THE DECISION TO LOWER PRICES WAS MADE PARTLY BECAUSE OF THE REPRESENTATIONS RECEIVED FROM WESTERN CANADA AND PARTLY BECAUSE OF THE DESIRE TO MAINTAIN THE EXPORTS AT A CERTAIN LEVEL. THAT WAS THE BASIS FOR DROPPING THE PRICE, TO MEET THE COMPETITION IN THE U.S. THERE HAS BEEN NO FUNDAMENTAL CHANGE IN THE MAXIMUM LEVELS WE HAD IN MIND."

4. GILLIES: "AS I UNDERSTAND IT, BASICALLY THE ANSWER IS A SOFTENING IN THE MARKET RATHER THAN A CHANGE IN POLICY. WHAT IMPLICATIONS DOES THIS DECLINE HAVE ON OUR POLICY OF EQUALIZATION OF OIL PRICES ACROSS THE COUNTRY?"

5. MACDONALD: "THE DECLINE IN EXPORTS WILL HAVE AN EFFECT ON THE EXTENT TO WHICH RESORT WILL HAVE TO BE MADE TO THE GENERAL REVENUES FOR THE PURPOSE OF PAYING COMPENSATION. IF INDEED THERE IS AN INCREASE IN EXPORTS, IT IS BELIEVED THAT THE INCREASE IN VOLUME GOING THROUGH WOULD MORE THAN COUNTERBALANCE THE REVENUE DROPPED THROUGH THE EXPORT TAX. THE OVER-ALL LEVEL OF EXPORTS BEING SOMEWHAT LOWER HAS MEANT A GREATER EXPOSURE FOR THE TREASURY, THAN WAS THE CASE WHEN THE EXPORT TAX WAS AT A HIGHER LEVEL."

6. GILLIES: "MAY I ASK FOR A CLARIFICATION OF THE LAST ANSWER, MR. SPEAKER? IS IT THE MINISTER'S CONTENTION THAT THE REDUCTION OF 80 CENTS WILL STIMULATE SALES SUFFICIENTLY TO REDUCE THE DEMAND ON THE GENERAL REVENUE FUND IN TERMS OF THE COMPENSATION PROGRAM?"

7. MACDONALD: "A MORE ACCURATE DESCRIPTION WOULD BE THAT THE DETERIORATION IN THE EXPORT TAX RECEIPTS WOULD NOT CONTINUE."
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